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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

TELEPHONE PROCEDURE
MEMORANDUM NO. 1

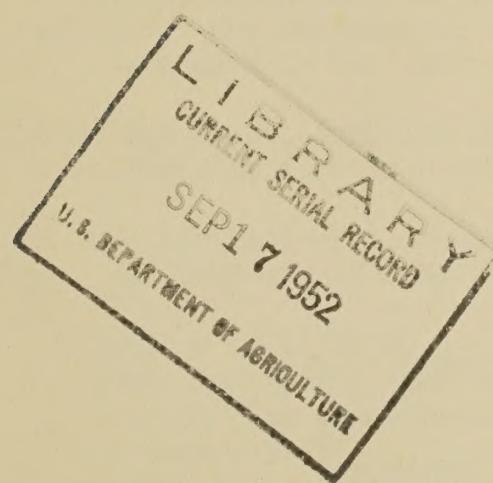
April 27, 1951

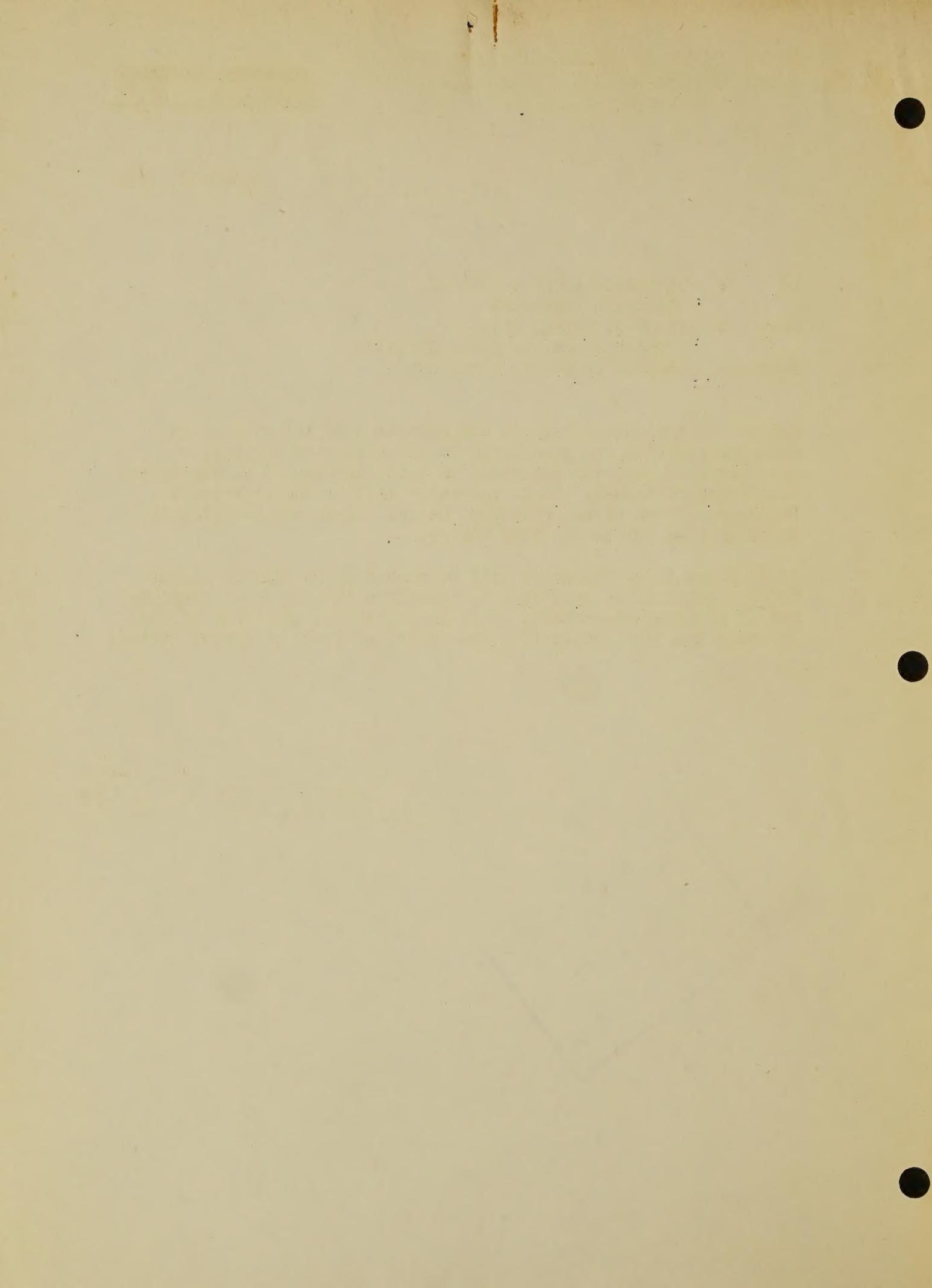
To : All Applications and Loans
Division Personnel
From : Arthur W. Gerth, Chief
Applications and Loans Division
Subject: Numbered Procedure Memoranda

Because of the need for rapid dissemination of information on changing policies and procedures in the telephone program, a new series of numbered memoranda is being instituted to supplement the Procedure Manual. These memoranda will be incorporated in future revisions of the Procedure Manual and should be filed in front of Page T-1 in the ring binder.

Inasmuch as these memoranda will be numbered, it will be easier for the examiner or appraiser to ascertain that he has a complete set of procedure memoranda. This is especially important if the examiner has been absent from the office on leave or travel status.

Arthur W. Gerth





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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

TELEPHONE PROCEDURE
MEMORANDUM NO. 2

April 27, 1951

To : All Applications and Loans
Division Personnel
From : Arthur W. Gerth, Chief,
Applications and Loans Division
Subject: Loan Contract Conditions - Equity Cash

A memorandum dated April 16, 1951, from Mr. D. E. Basler to the Assistant Chief (Telephone) of this Division contains the following information:

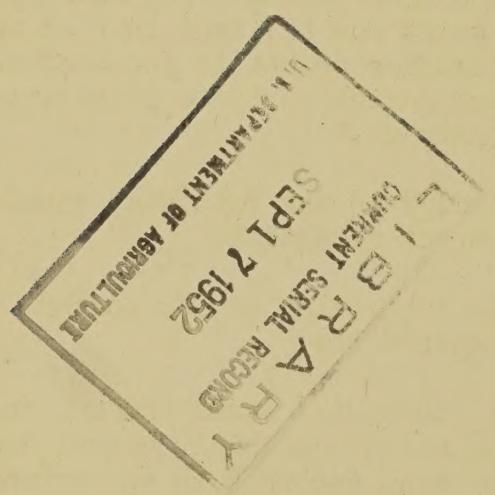
"Mr. Haggard has requested that I inform you of a change in our loan procedure. It is the result of questions that have been raised recently on the steps we have taken to control the use of equity funds of telephone borrowers prior to execution of the loan contract. It applies to the wording of allocation and loan conditions in those cases where the applicant is to use equity funds to retire existing obligations. Heretofore, we have only required that those obligations be retired and the remaining equity cash deposited in the approved depository. The fact that only part of the total funds collected as equity is deposited in the depository leaves the possibility that the remainder might be misapplied. To guard against such misapplication in these cases, future allocation and loan dockets and the letters to the borrower should provide that all equity funds collected shall be deposited in the approved depository and disbursed only with REA approval. The docket and letters should point out the fact that of the total equity collected, the specified amount is intended for use to discharge the outstanding obligations. These provisions will also be included in the loan contract."

To implement the above, language similar to the following should be included in the recommendation as a loan contract condition:

This loan contract will provide that prior to the advance of any loan funds, the Borrower will be required to:

Obtain a total of \$ _____ in equity funds through the sale of stock and deposit this amount in a special account designated "Trustee, REA Construction Fund Account" in an accredited bank. Approximately \$ _____ of equity funds so deposited shall be used to retire existing notes payable to _____. None of the remaining funds deposited in this account are to be withdrawn without prior REA approval."

Arthur W. Gerth



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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

TELEPHONE PROCEDURE
MEMORANDUM NO. 3

April 27, 1951

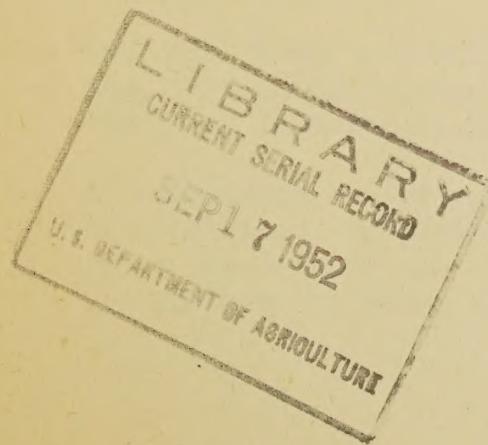
To : All Applications and Loans
Division Personnel
From : Arthur W. Gerth, Chief,
Applications and Loans Division
Subject: Step 19
Satisfactory Compliance with Contract Conditions

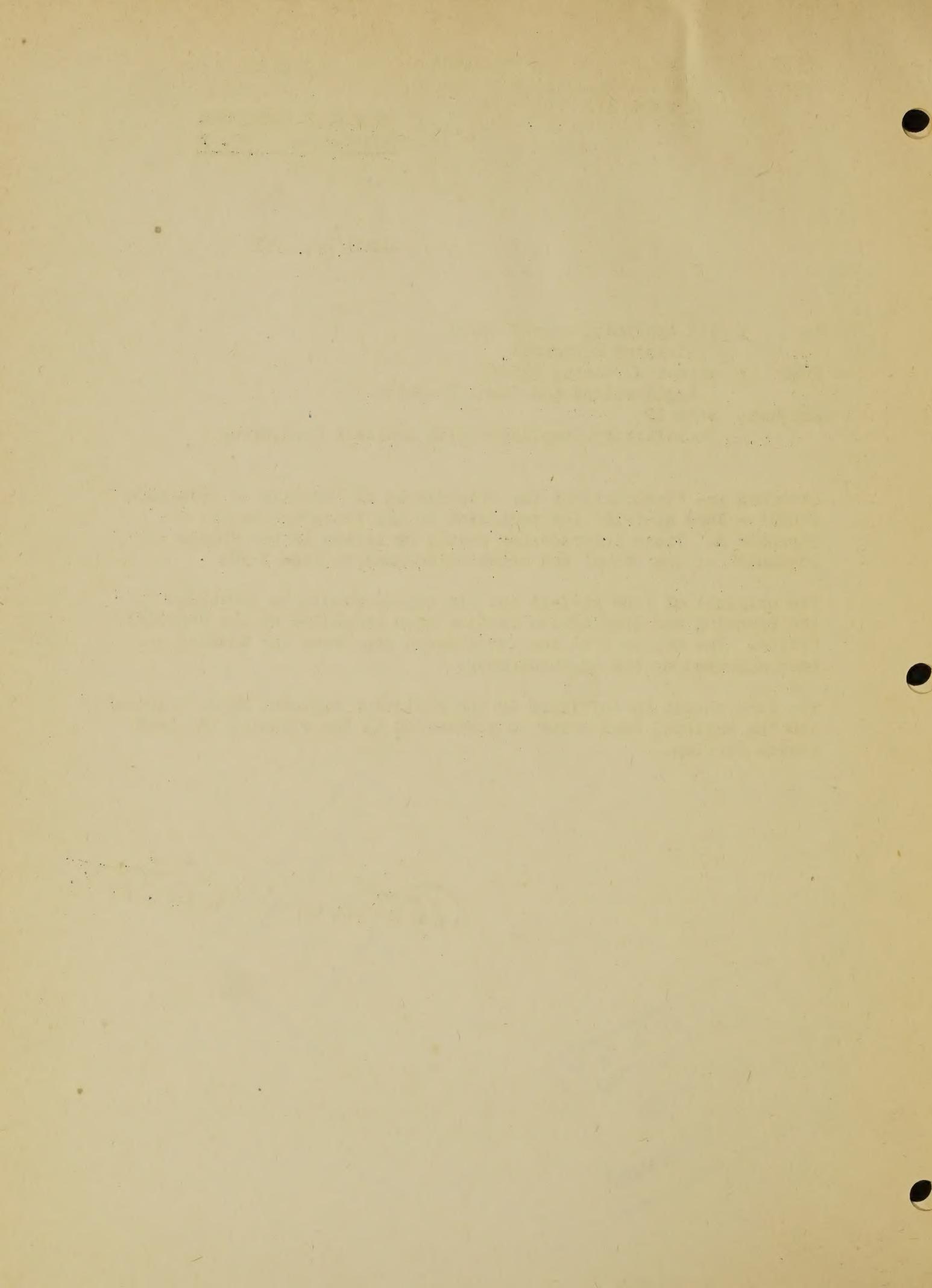
Attached are "Instructions for Preparation of 'Release of Telephone Funds' - Form AL-T-16" for inclusion in the Procedure Manual as Appendix D. These instructions should be listed in the "Table of Contents" of the Manual and cross-referenced on Page T-30.

The original of Form AL-T-16 and six copies should be forwarded to the Planning and Loan Review Section when completed by the Regional Office. The Region will receive a dated copy when the advance has been approved by the Administrator.

The form should be initialed by the Assistant Regional Head (Telephone) and the Regional Head prior to submission to the Planning and Loan Review Section.

Arthur W. Gerth



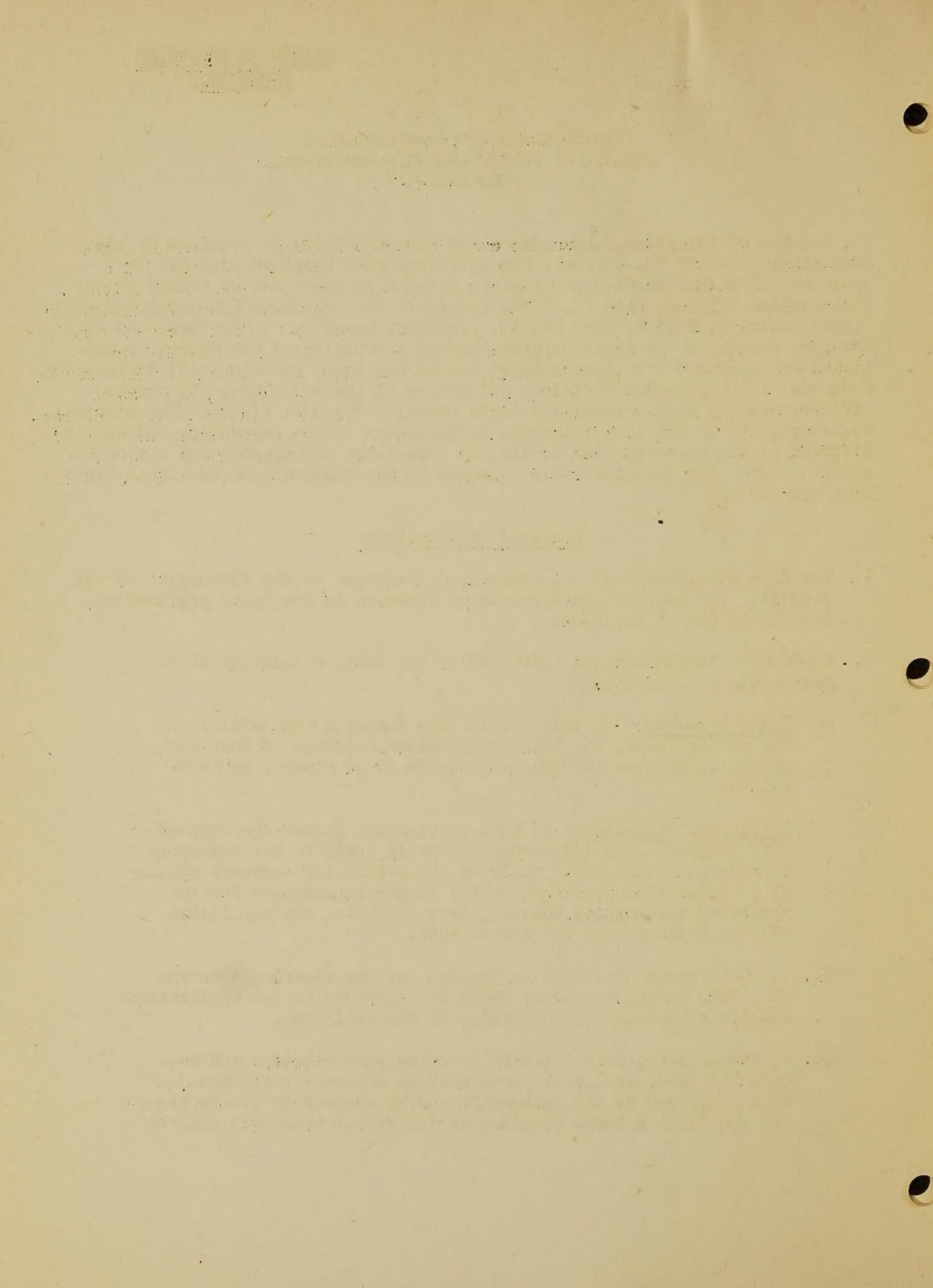


Instructions for Preparation of
RELEASE OF TELEPHONE FUNDS Memorandum
(FORM AL-T-16)

The Release of Telephone Funds memorandum (Form AL-T-16) is prepared by the loan examiner after the borrower has satisfactorily complied with all loan contract conditions relating to advance of loan funds or use of equity funds. (See Section III-3-B, page 21, "Loan Procedure for Telephone Loan Applications" dated January 8, 1951 or Step No. 19, Procedure Manual). It is forwarded with the loan docket to the Administrator through the Office of the Solicitor and copies are prepared for (1) the Applications and Loans Division, (2) Engineering Division, (3) Management Division, (4) Office of the Solicitor, (5) Budget Officer, and (6) Applications and Loans Division Regional Office. The original, after approval by the Administrator, is forwarded to the Accounting and Auditing Division as its authorization to advance loan funds and approve the use of equity funds. The loan docket is returned to the Applications and Loans Division for filing.

Detailed Instructions

1. The file designation of the borrower is inserted as the first line of the subject. The name of the borrower is inserted in the space provided on the first line of the text.
2. Applicable information is indicated in the various sections of the memorandum as follows:
 - A. Funds Involved - In this section are inserted the total loan and equity funds, the total of previous releases of loan and equity funds, and the loan and equity funds covered by this release.
 - B. Conditions Satisfied - In this section are listed the various loan contract conditions which normally apply to the telephone borrowers. Those which apply to the particular borrower shall be so indicated by placing an "X" in the parentheses and the necessary information added. Those which are not applicable will be indicated by the symbol "NA".
- B-1. The date shown here will be the date of the clearing memorandum, Form OS-84, a copy of which is forwarded to the Applications and Loans Division by the Office of the Solicitor.
- B-2. If commission orders relating to rates were required and have been obtained, applicable data will be shown in this item. If rates approved by the commission and/or adopted by the borrower are the same as those provided in the docket this fact will be



indicated by placing an "X" in the space provided on the first line. If the rates approved by the Commission or adopted by the borrower differ from those in the loan docket, approval of the new rates shall be obtained from the Management Division and the date of the memorandum of approval indicated in the second item. When new rates have been approved, an analysis will be prepared showing the effect on feasibility. This will be included as an exhibit with the number indicated as shown. The last item applies where the release of funds must be supported by a new feasibility study which should be included as an exhibit. It would apply in cases such as these:

- a. Where the release applies to the second or succeeding section of the system and the feasibility of the section or existing system plus the section has not already been shown.
- b. Where the loan docket provides that feasibility must be shown before the first advance of loan funds.

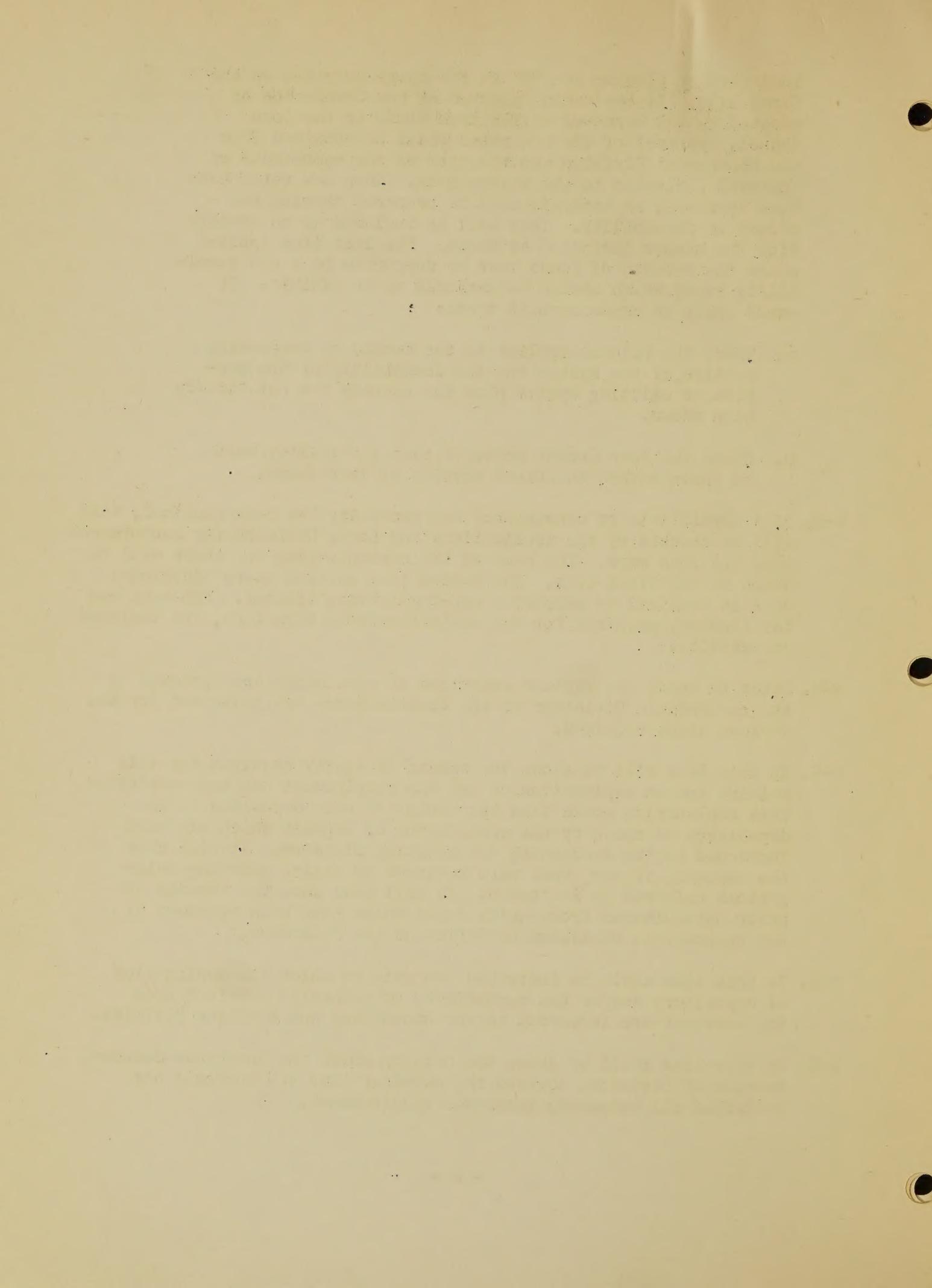
B-3. If a certificate of convenience and necessity has been obtained, this will be checked by the Applications and Loans Division for conformance with the loan maps. The name of the person making the check will be shown in the first item. The second item is used where additional data is required to support a non-duplication finding. The data and the finding, prepared for the Administrator's signature, are included as exhibits.

B-4. Dates on which the various contracts or agreements are approved by the responsible Divisions or the Administrator are indicated for the various items required.

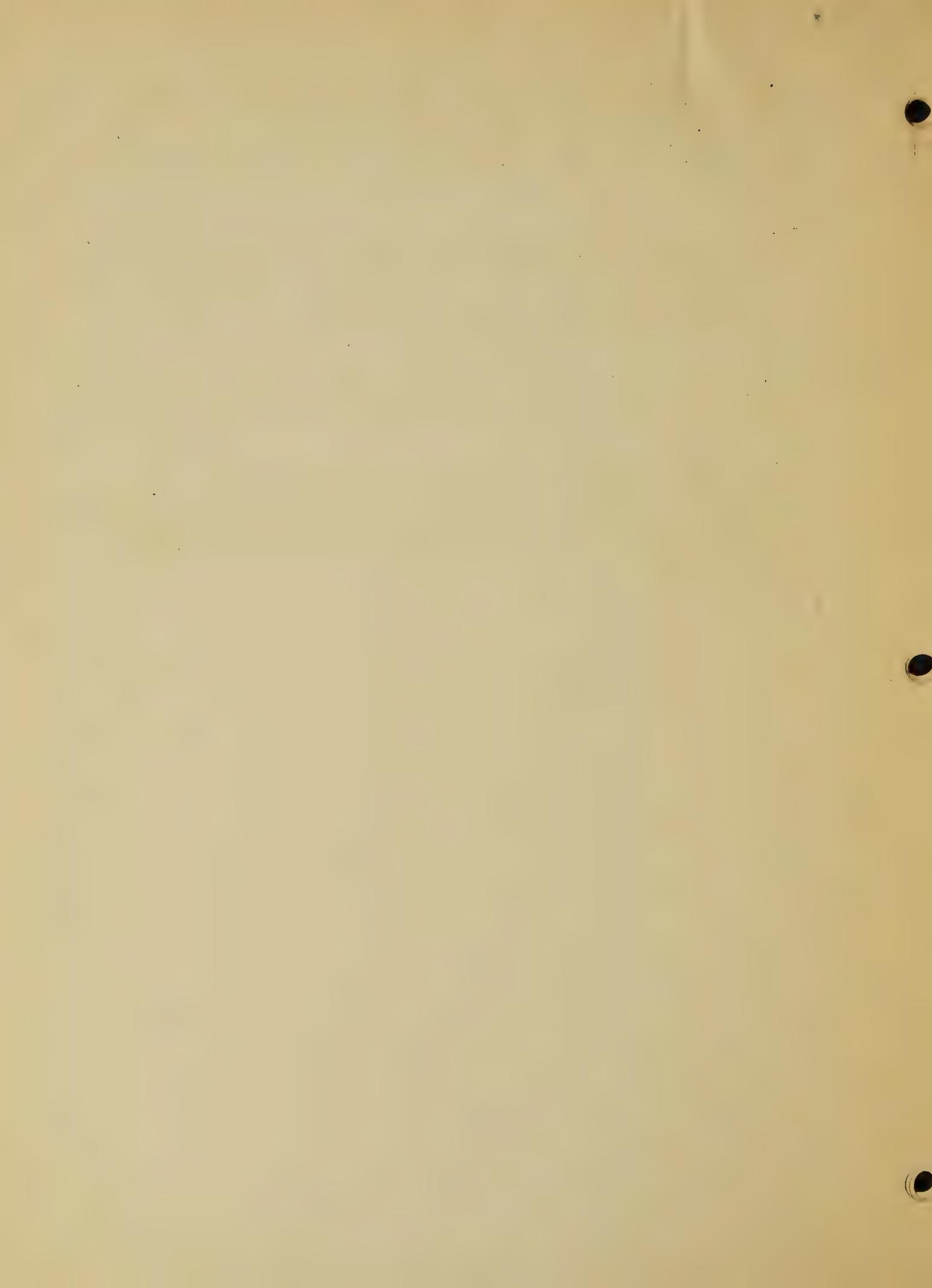
B-5. In this item will be shown the amount of equity required for this release and an explanation of how the requirement has been satisfied. This explanation would show the amount of cash deposited in the depository as shown by the certificate of deposit which has been forwarded to the Accounting and Auditing Division. It will show the amounts, if any, that were required to retire existing obligations referred to in item 8. It will also show the amounts of prior expenditures from equity funds which have been approved by the responsible Divisions or Office of the Solicitor.

B-6. In this item shall be indicated the date on which the designation of depository and/or the certificate of authority obtained from the borrower are forwarded to the Accounting and Auditing Division.

B-7. In this item shall be shown the date on which the Insurance Section, Management Division, advised the examiner that the borrower has satisfied all necessary insurance requirements.



- B-8. In those cases where the borrower must retire existing obligations as condition of the loan, information on the amount of the obligation, the name of the creditor, the type of release obtained, and the fact that it has been approved by the necessary Division or the Office of the Solicitor shall be shown. Use an attached sheet if necessary.
- B-9. As is indicated by memoranda dated March 26 and April 20, 1951, from the Deputy Administrator, audits will be made of all existing borrowers prior to the advance of loan funds. A report of this audit will be forwarded to the Applications and Loans Division by the Accounting and Auditing Division and will be attached to the memorandum, Release of Telephone Funds.
- B-10. For use with requirements not listed in previous items. If additional space is required, necessary pages will be attached to the memorandum.
- C. The amounts of refinancing or acquisition which are part of the loan shall be entered in the spaces provided in this item. This information is required by Accounting and Auditing Division as a check to ensure that only the funds required for these purposes are advanced until necessary clearances for further advances have been obtained.



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TELEPHONE PROCEDURE
MEMORANDUM NO. 4

May 2, 1951

To : All Applications and Loans
Division Personnel
From : Arthur W. Gerth, Chief,
Applications and Loans Division
Subject: Loan Contract Conditions -
Agreements With Other Companies

Whenever contracts with connecting companies are needed, language similar to the following should be included in the recommendation as a loan contract condition:

"This loan contract will provide that, prior to the advance of any loan funds, the borrower will be required to:

Obtain commitments or contracts, in form and substance satisfactory to the Administrator, covering all necessary toll traffic and operating services to be provided by connecting companies."

Whenever the Engineering Division recommends joint use of facilities, the condition should be modified as follows:

"Obtain commitments or contracts, in form and substance satisfactory to the Administrator, covering all necessary toll traffic and operating services to be provided by connecting companies and all necessary joint use of facilities with other companies."

Arthur W. Gerth



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TELEPHONE PROCEDURE
MEMORANDUM NO. 5

May 2, 1951

To : All Applications and Loans
Division Personnel
From : Arthur W. Gerth, Chief
Applications and Loans Division
Subject: Insurance Requirements for Telephone Borrowers

Following is a memorandum from D. E. Basler, May 1, 1951, which discusses Insurance Requirements for Telephone Borrowers:

"This memorandum confirms decisions reached at our recent meeting at which we discussed the method by which telephone borrowers would be informed of insurance requirements and the evidence of compliance with such requirements obtained and approved.

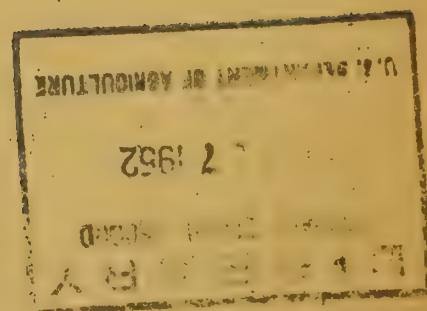
Information of insurance requirements will be forwarded to the borrower by the Applications and Loans Division after approval of the allocation. This will be in the form of an attachment to the letter which the Applications and Loans Division normally sends for the purpose of discussing the various allocation and loan requirements. This attachment will be prepared by the Insurance Section, Management Division, for each borrower and will be forwarded to the Applications and Loans Division for enclosure in its letter.

As indicated under item III-3(B) (6) on page 23 of the Loan Procedure for Telephone Loan Applications dated January 8, 1951, the Applications and Loans Division is responsible for obtaining and forwarding to the Management Division for its approval evidence that the borrower has complied with applicable insurance requirements. Therefore, follow-up letters, if prepared by the Insurance Section, will be for the signature of the Regional Head, Applications and Loans Division. The Applications and Loans Division will also provide follow-up services in the field.

Once the borrower has submitted evidence which it believes complies with insurance requirements, correspondence discussing inadequacies in the insurance coverage or matters relating to the borrower's policies will be forwarded directly to the borrower by the Management Division. Copies of this correspondence will be forwarded to the Applications and Loans Division for its information. This conforms to the above-noted paragraph in the Loan Procedure for Telephone Loan Applications."

Please follow the above procedure in handling matters pertaining to telephone borrowers insurance. Item (6) on page T-31 of the Procedure manual should be cross referenced "See also T.P. Memorandum No. 5".

Arthur W. Gerth



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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
Washington 25, D. C.

TELEPHONE PROCEDURE
MEMORANDUM NO. 6

May 21, 1951

To : All Applications and Loans
Division Personnel
From : Arthur W. Gerth, Chief,
Applications and Loans Division
Subject: Approval of Articles of Incorporation and Bylaws
for Cooperatives and Mutual Telephone Organizations

Following is a memorandum from George W. Haggard, dated May 18, 1951 which discusses approval of Articles of Incorporation and Bylaws for Cooperative and Mutual Telephone Organizations:

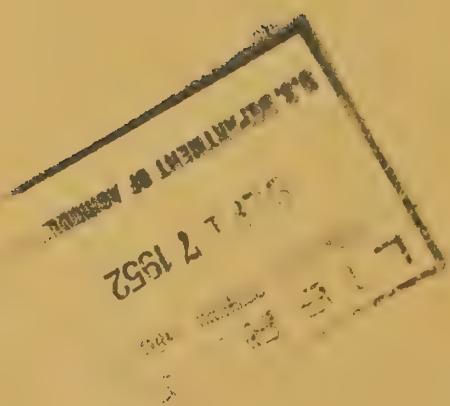
"Experience to date with telephone applicants has indicated that in a number of instances mutual and cooperative telephone organizations, particularly those which have been organized for a number of years, have had provisions in their articles of incorporation and bylaws which, although probably acceptable at the time of organization, are now undesirable, particularly where the applicant intends to be a true cooperative. It is desirable that this fact be ascertained as early as practicable in our loan process in order that recommendations for changes can be made and that such changes will not delay subsequent processing of the loan documents.

Therefore, it is requested that in those cases where the loan applicant is an existing cooperative or mutual organization the Applications and Loans Division obtain copies of its articles of incorporation and by-laws during the first field appraisal visit. These copies will be submitted to Udo Rall, Head, Cooperative Education Section, Information Services Division, for analysis and recommendation of changes which should be made. Mr. Rall's recommendations and the articles and by-laws will be returned to the Applications and Loans Division for its information and will then be forwarded to the Office of the Solicitor for use in suggesting corrective legal action to the applicant. In cases where the existing organization is not a true cooperative for one reason or another this fact will be indicated to the Equity Determination Committee in Item II-f of the Loan Security Analysis, Form AL-T-5. Suggested changes in the organization and any action agreed to or taken by the borrower should be reviewed in the allocation recommendation in the section devoted to Description of Applicant's Organization."

Please follow the above procedure in the future.

Item ff on page T-9 and paragraph "a" on page T-10 should be cross referenced "See also Telephone Procedure Memorandum No. 6." Item 3, paragraph "a" on page T-13 and Item II-f on page 3 of Instructions for Preparation of Loan Security Analysis, Form AL-T-5, should also be cross referenced in the same manner.

Arthur W. Gerth



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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
Washington 25, D. C.

TELEPHONE PROCEDURE
MEMORANDUM NO. 7

May 21, 1951

To All Applications and Loans
Division Personnel
From Arthur W. Gerth, Chief,
Applications and Loans Division
Subject: Additional Data to be Included in the Loan Security
Analysis

The Equity Determination Committee will need the following information included in the Loan Security Analysis Form AL-T-5, in order to be able to consider the total potentialities in the applicant's proposed service area, particularly where the system to be constructed is small:

1. Add to section 1-a on page 1 item 9 and insert the total establishments and total potential subscribers in the applicant's service area.
2. If there are possibilities for future expansion of the applicant's system this fact and the extent of the possible expansion in terms of additional subscribers should be included as a foot note at the bottom of the page.

Please include the above information on all Loan Security Analysis Form AL-T-5 prepared in the future.

Item 3, paragraph "a" on page T-13 and Section 1-a of Instructions for Preparation of Loan Security Analysis, Form AL-T-5 should be cross referenced "See also Telephone Procedure Memorandum No. 7."

Arthur W. Gerth



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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

TELEPHONE PROCEDURE
MEMORANDUM NO. 8

October 8, 1951

To : All Applications and Loans
Division Personnel

From : Richard A. Dell, Chief
Applications and Loans Division

Subject: Determination of Pro-Forma Operating Ratio for
Loan Security Analysis

The following revised instructions on the computation of the pro-forma operating ratio for purposes of the Loan Security Analysis (Form AL-T-5) are necessary because of the change to the new feasibility standards. It should be noted that the item of replacement which was excluded from previous instructions is now included. The revised procedure is in accordance with a memorandum dated September 7, 1951 from Mr. D. E. Basler which contains the following information:

Preliminary Analysis of Telephone Loan Application in
Relation to Request for Equity Requirement Determination

This procedure is established to enable the Applications and Loans Division to request determination of equity requirements for telephone loan applications without the necessity of making a complete preliminary feasibility study. At the same time, it will provide a preliminary check on the feasibility of the application through the use of operating ratios (ratio of operating expenses to revenues provided by the suggested rate schedule). It is applicable to proposed loans of a thirty-five year life. The ratios must be adjusted for loans for shorter periods.

Step 1 - The Applications and Loans Division loan examiner will compute the total average annual receipts, based on the proposed rate schedule, and the total average annual expenditures excluding debt service and taxes. The total expenditures used for this purpose will include maintenance, replacement, traffic, commercial, general and other, joint use and other operating expenditures. Excluded from this total are all taxes and debt service requirements.

Step 2 - The ratio of the estimated annual expenditures thus computed to the average annual receipts will be established.

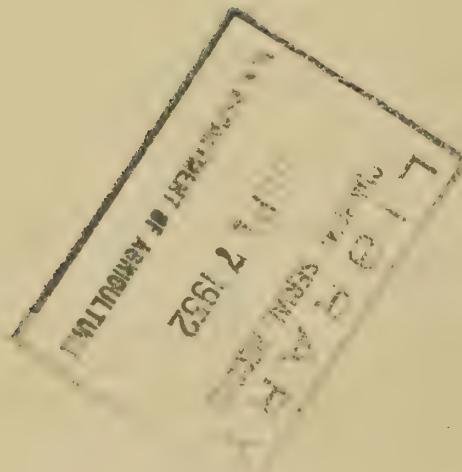
Step 3 - If this ratio falls within the maximum and minimum limits shown below the proposed rate schedule may be considered satisfactory for the purposes of determining equity requirements. The loan security analysis form may then be completed for submission to the Administrator's Office.

2-Telephone Procedure Memorandum No. 8

OPERATING RATIO		
	Dial Plant	Manual Plant
Maximum	65%	71%
Minimum	42%	48%

For systems with both dial and manual plant, use percentages applying to the type of plant which predominates.

Richard A. Dell



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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
Washington 25, D. C.

TELEPHONE PROCEDURE
MEMORANDUM NO. 9

October 16, 1951

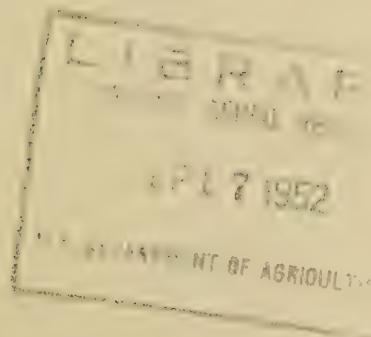
To: All Applications and Loans
Division Personnel
From: Richard A. Dell, Chief
Applications and Loans Division
Subject: Preparation of Master Budget - Maximum Fees for
Normal Legal Services - Telephone Borrowers

Attached is a copy of a memorandum from Mr. K. Wilde Blackburn,
Associate Solicitor, with regard to the Maximum Fees for Normal
Legal Services - Telephone Borrowers.

Please follow it as a guide in determining the amount to include
in the Master Budget for Legal Fees. For the time being the
estimate for legal service fees will be included in the contingency
item of the budget.

Attachment

Richard A. Dell



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SOLICITOR
Washington 25, D. C.

September 17, 1951

To: Richard A. Dell, Chief
Applications and Loans Division, REA

From: K. Wilde Blackburn, Associate Solicitor

Subject: Maximum Fees for Normal Legal Services - Telephone Borrowers

The Administrator has approved by memorandum, dated September 12, 1951, the following schedule of maximum fees for normal legal services in connection with telephone loans.

I. Base Fee

Base fee for initial allocation (covers incorporation, pre-allocation and loan work)	\$625.00
Base fee for supplemental allocations (covers pre-allocation and loan work)	\$200.00
In certain cases involving complex refunding or re-organization problems, compensation will be computed on a special services basis applying a per diem rate to the attorney's itemized time breakdown in lieu of a base fee.	

II. Multiplier for Right-of-Way Services for New Line Construction

<u>\$2.50 per mi.</u>	<u>\$3.25 per mi.</u>	<u>\$4.00 per mi.</u>	<u>\$5.00 per mi.</u>
Arizona	Alabama	California	Iowa
Colorado	Arkansas	Delaware	Alaska
Maine	Florida	Idaho	
Montana	Georgia	Illinois	
Nevada	Indiana	Kentucky	
New Mexico	Kansas	Maryland	
South Dakota	Louisiana	Michigan	
Utah	Minnesota	New Hampshire	
Wyoming	Mississippi	New Jersey	
	Missouri	New York	
	Nebraska	North Carolina	
	North Dakota	Ohio	
	Oregon	Oklahoma	
	South Carolina	Pennsylvania	
	Tennessee	Texas	
	Washington	Virginia	
	Wisconsin	West Virginia	
	Vermont		

III. Central Office and other Building Sites

Fifty dollars per site for normal legal services in connection with examination of abstracts and giving title opinions. Curative work is not covered by normal fees and compensation would be on per diem basis as special services.

IV. Construction Contracts, Operating Agreements and Related Matters

One dollar per one thousand dollars of the loan for inside plant, central office and other items not covered by the right-of-way multiplier.

V. Public Service Commission and other Public Body Approvals

Fifty dollars for each application not requiring appearance. Appearances will be compensated on a per diem basis as other special services.

VI. Cost of Living Increase

Add 15% for loans made prior to January 16, 1951 and 25% for loans made thereafter.

The above schedule should be used in preparing initial budgets for borrowers.

We shall continue to advise the borrower of the maximum fee for normal legal services on the basis of the foregoing schedule shortly after each loan is made in accordance with the practice in the Electrification program.

As you know, the foregoing schedule applies to normal legal services and does not include legal expenses such as recording and filing fees and similarly, items for which, of course, the attorney should be reimbursed if he has paid them on behalf of the borrower.

The normal fees do include the ordinary business expenses of the attorney, but not long distance telephone calls or mailing and express charges on legal documents which are legal expenses for which the attorney may be reimbursed separately.

As in the Electrification program, the foregoing schedule represents maximum fees and the borrower is free to pay any amount not exceeding the maximum. It is also REA policy to advise only the borrower and not the attorney of the maximum fee, although we have no objection to the borrower's advising the attorney thereof.

Where the attorney has performed special services not covered by the foregoing schedule, an itemized time breakdown of his services should be submitted to us so that if the services are compensable from loan or equity funds, we may advise the borrower of the maximum amount approved by REA therefor.

/s/ K. Wilde Blackburn

